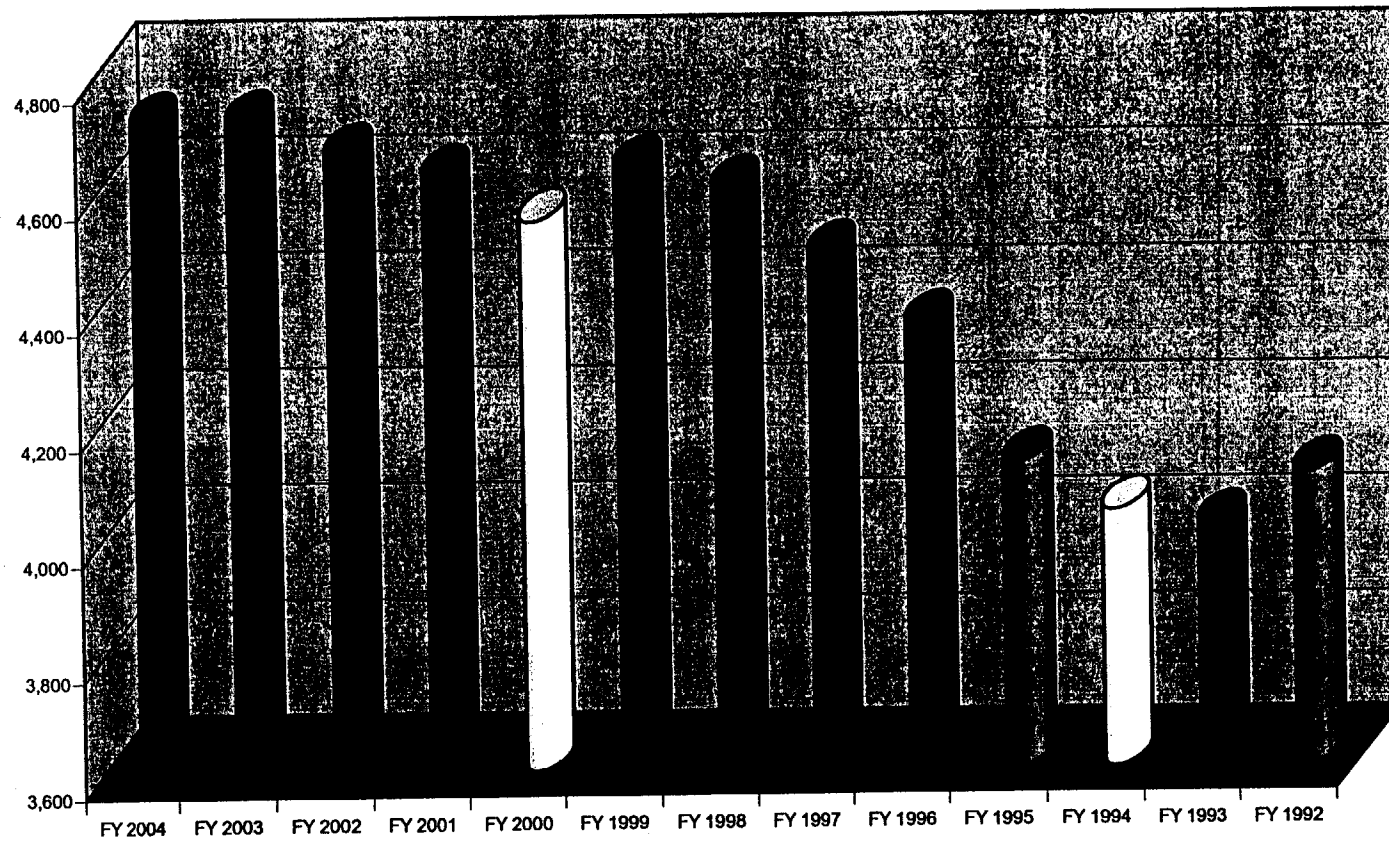


GRENADA SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

The discussion and analysis of Grenada School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The School District has elected not to present comparative data.

The Grenada School District's enrollment at the end of the first month of the 2003-2004 school year was 4,719 students. This enrollment reflects an increase of 73 students over the first month of the 2002-2003 school year. Since 1992, the school district's enrollment has increased by 612 students (Chart 1). The most current data available for all school districts in Mississippi (School year 2001-2002) reveals the Grenada School District as the state's 24th largest school district. The Grenada School District is a special municipal school district. Though the district encompasses the entire county, all of the school buildings are located within the city of Grenada. The Grenada School District is the only public school district in Grenada County.



**GRENADA SCHOOL DISTRICT ENROLLMENT HISTORY
CHART 1**

FINANCIAL HIGHLIGHTS

- Total net assets increased \$ 2,451,885, which represents 11% increase from fiscal year 2002. The increase is reflected primary in cash and other deposits. This is due to an increase level of state funding under the Mississippi Adequate Education Program.
- General revenues account for \$ 7,698,005 in revenue, or 27% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$ 20,411,387 or 73% of total revenues.
- The district had \$ 25,657,507 in expenses; only \$ 20,411,387 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$ 7,698,005 were adequate to provide for these programs.
- Among major funds, the General Fund had \$ 20,871,432 in revenues and \$ 18,973,825 in expenditures. The General Fund's fund balance increased \$ 1,140,916 over the prior year. The increase was due primarily to an increase level of state funding under the Mississippi Adequate Education Program.
- Capital assets, net of accumulated depreciation, decreased by \$ 1,325,380. This decrease is due to an increase in accumulated depreciation.
- Long-term debt decreased by \$ 883,765. This decrease is due to the fact that annual payments were made to decrease existing debt, as well as the fact that no new debt was issued during fiscal year 2003.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

Additionally, a schedule of expenditures of federal awards is included in this report is required by OMB Cir.A-133.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$ 25,129,958 as of June 30, 2003.

By far the largest portion of the District's net assets (71%) reflects its investment in capital assets (e.g., land building, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2003.

Current assets	\$ 9,978,412
Capital assets, net	\$ 25,220,758
Total Assets	\$ 35,199,170
Current liabilities	\$ 966,389
Long-term debt outstanding	\$ 9,102,822
Total Liabilities	\$10,069,211
Net assets:	
Invested in capital assets, net of related debt	16,369,237
Restricted	6,228,318
Unrestricted	2,532,403
Total Net Assets	<u>\$25,129,958</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$ 890,000 of long-term debt.
- The addition of \$ 116,038 in capital assets from the construction in progress of a new school building. This new facility will be for use by ninth grade students.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2003 were \$ 28,109,392. The total cost of all programs and services was \$ 25,657,507. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2003.

Revenues:	
Program revenues	\$20,411,387
General revenues	7,698,005
Total revenues	<u>\$28,109,392</u>
Expenses:	
Instruction	19,375,809
Support services	8,160,983
Non-instructional	1,567,807
Sixteenth Section	82,442
Interest on long-term liabilities	470,589
Total expenses	<u>25,657,507</u>
Increase in Net Assets	2,451,885

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Total Expenses	Net (Expense) Revenue
Instruction	19,375,809	2,579,318
Support Services	8,160,983	(6,909,640)
Non-instructional	1,567,807	(438,205)
Sixteenth Section	82,442	(7,127)
Interest on long-term liabilities	470,589	(470,589)
Total Expenses	25,657,507	(5,246,120)

- Net cost of governmental activities (\$ 5,246,120), was financed by general revenue, which is made up of primarily property taxes (\$ 5,624,685) and state revenue (\$ 813,329).
- Investment earnings accounted for \$ 350,574 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$ 9,862,602, an increase of \$ 2,037,701 due primarily to an increased level of state funding under the Mississippi Adequate Education Program. \$ 9,656,737 or 71% of the fund balance constitutes unreserved and undesignated fund balance, which available for spending at the District's discretion. The remaining fund balance of \$ 205,865 or 29% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$ 1,140,916 a result of and increased level of state funding under the Mississippi Adequate Education Program. The fund balance of Other Governmental Funds reflected an increase due primarily to additional federal revenue available from various federal programs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. A primary reason for amending the budget was:

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education Program. The original budgeted amounts underestimated the potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2003, the District's total capital assets were \$ 33,451,862 including school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$ 696,341 from the previous year. Total accumulated depreciation as of June 30, 2003 was \$ 8,466,042 and total depreciation expense for the year was \$ 811,627, resulting in total net assets of \$ 25,220,759.

Additional information of the District's capital assets can be found in the Notes to the Financial Statements.

Debt Administration. At June 30, 2003, the District had \$ 9,635,000 in general obligation bonds and other long-term debt outstanding, of which \$ 720,000 is due within one year.

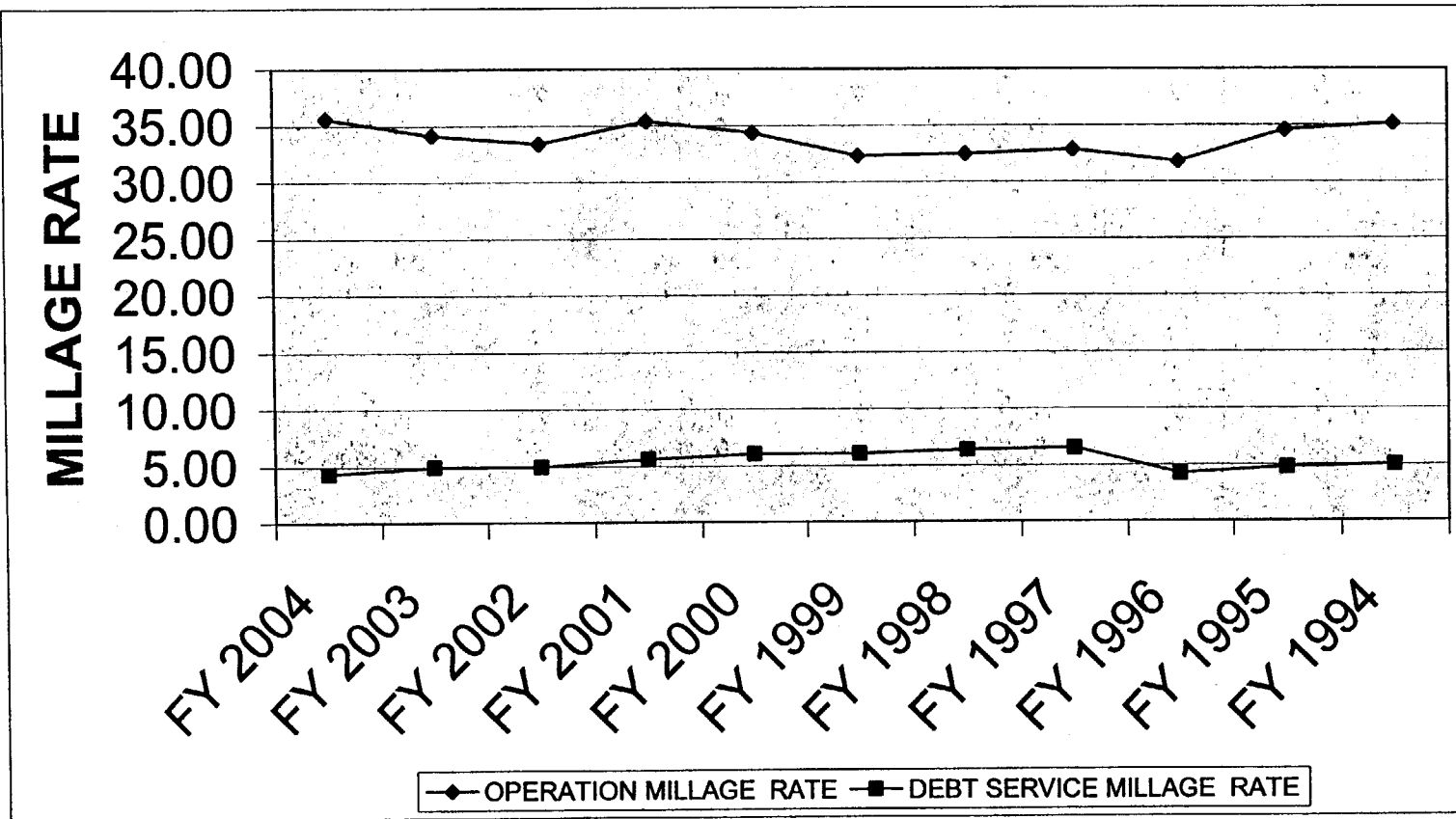
The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in the notes to the Financial Statements.

CURRENT ISSUES

The Grenada School District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting" and the "Certificate Recognizing Achievement in Fixed Asset Management", issued by the Office of the State Auditor, has been awarded to the school district each year it has been available. The District's system of financial planning, budgeting, and internal financial controls are well regarded.

The Grenada School District is sensitive to the effects of increased taxation upon the citizens of Grenada County. This is evident by the fact that the ad valorem taxation mileage rate for operational purposes has ranged from 35.13 mills in fiscal year 1994 to 35.57 mills in fiscal year 2004. This reflects an increase of only .44 mills in ten years (Chart 2). An even closer observance will reveal that the total ad valorem taxation millage rate, which includes debt service, has actually decreased by .21 mills (Chart 2).



**GRENADA SCHOOL DISTRICT
ADVALOREM TAX MILLAGE HISTORY
CHART 2**

Each year the Grenada School District conducts a statewide industry analysis to determine how the school district ranks in comparison to other comparable school districts. This analysis is done by using enrollment, assessed valuation of property within the district, and ad valorem taxation millage rates. A comparison of fiscal year 2003 data, the most current data available for all school districts in Mississippi, reveals that while the Grenada School District ranks fifth and eighth in enrollment and assessed valuation, it ranks third in maintaining the lowest total millage rate and first in maintaining the lowest operational millage rate (Tables 1 – 4).

**GRENADA SCHOOL DISTRICT
AD VALOREM TAX MILLAGE / ASSESSED VALUATION / ENROLLMENT COMPARISON
OF
SELECT SCHOOL DISTRICTS**

TABLE 1

GROUP RANK	SCHOOL DISTRICT	FY 2003 OPERATING MILLAGE RATE	FY 2003 DEBT SERVICE MILLAGE RATE	FY 2003 TOTAL MILLAGE RATE	ENROLLMENT	FY 2003 ASSESSED VALUATION
1	GRENADA	34.14	4.96	39.10	4651	162,396,198
2	HANCOCK COUNTY	35.07	12.57	47.64	4282	212,542,698
3	ALCORN COUNTY	36.00	3.00	39.00	3795	122,550,377
4	SIMPSON COUNTY	36.19	0.00	36.19	4384	131,186,912
5	OXFORD	36.85	7.20	44.05	2986	193,116,152
6	SOUTH PANOLA	40.92	1.22	42.14	4505	127,428,515
7	WEST POINT	41.00	6.40	47.40	3563	110,262,495
8	NATCHEZ-ADAMS	45.21	2.25	47.46	4820	207,444,141
9	CLINTON	45.51	6.31	51.82	4831	201,899,891
10	CLEVELAND	45.97	2.07	48.04	3767	126,630,957
11	BROOKHAVEN	45.98	12.16	58.14	2990	129,254,896
12	PEARL	48.05	10.15	58.20	3679	138,470,280
13	STARKVILLE	50.38	8.48	58.86	3944	183,400,211
14	LONG BEACH	51.74	3.85	55.59	3471	106,568,100
15	LAUREL	53.00	5.01	58.01	3112	143,208,787
16	PETAL	53.42	3.66	57.08	3636	101,918,282
17	PICAYUNE	54.00	7.89	61.89	3785	115,896,300
18	OCEAN SPRINGS	55.03	7.19	62.22	4934	181,364,520
19	HATTISBURG	58.30	7.08	65.38	4758	208,893,762
20	MOSS POINT	62.40	7.50	69.90	4271	125,243,641

SORTED BY OPERATING MILLAGE RATE

ENROLLMENT REFLECTS DATA FROM THE 2003 SUPERINTENDENT'S ANNUAL REPORT, WHICH IS FOR SCHOOL YEAR 2001 - 2002. THIS REFLECTS THE MOST CURRENT DATA AVAILABLE FOR ALL SCHOOL DISTRICTS.

SCHOOL DISTRICTS WERE SELECTED BASED UPON HAVING AN ASSESSED VALUATION OF BETWEEN \$100,000,000 AND \$215,000,000 AND AN ENROLLMENT OF BETWEEN 2900 AND 5000 STUDENTS.

**GRENADA SCHOOL DISTRICT
AD VALOREM TAX MILLAGE / ASSESSED VALUATION / ENROLLMENT COMPARISON
OF
SELECT SCHOOL DISTRICTS**

TABLE 2

<u>GROUP RANK</u>	<u>SCHOOL DISTRICT</u>	<u>FY 2003 OPERATING MILLAGE RATE</u>	<u>FY 2003 DEBT SERVICE MILLAGE RATE</u>	<u>FY 2003 TOTAL MILLAGE RATE</u>	<u>ENROLLMENT</u>	<u>FY 2003 ASSESSED VALUATION</u>
1	SIMPSON COUNTY	36.19	0.00	36.19	4384	131,186,912
2	ALCORN COUNTY	36.00	3.00	39.00	3795	122,550,377
3	GRENADA	34.14	4.96	39.10	4651	162,396,198
4	SOUTH PANOLA	40.92	1.22	42.14	4505	127,428,515
5	OXFORD	36.85	7.20	44.05	2986	193,116,152
6	WEST POINT	41.00	6.40	47.40	3563	110,262,495
7	NATCHEZ-ADAMS	45.21	2.25	47.46	4820	207,444,141
8	HANCOCK COUNTY	35.07	12.57	47.64	4282	212,542,698
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14	BROOKHAVEN	45.98	12.16	58.14	2990	129,254,896
15	PEARL	48.05	10.15	58.20	3679	138,470,280
16	STARKVILLE	50.38	8.48	58.86	3944	183,400,211
17	PICAYUNE	54.00	7.89	61.89	3785	115,896,300
18	OCEAN SPRINGS	55.03	7.19	62.22	4934	181,364,520
19	HATTISBURG	58.30	7.08	65.38	4758	208,893,762
20	MOSS POINT	62.40	7.50	69.90	4271	125,243,641

SORTED BY TOTAL MILLAGE RATE

ENROLLMENT REFLECTS DATA FROM THE 2003 SUPERINTENDENT'S ANNUAL REPORT, WHICH IS FOR SCHOOL YEAR 2001 - 2002. THIS REFLECTS THE MOST CURRENT DATA AVAILABLE FOR ALL SCHOOL DISTRICTS.

SCHOOL DISTRICTS WERE SELECTED BASED UPON HAVING AN ASSESSED VALUATION OF BETWEEN \$100,000,000 AND \$215,000,000 AND AN ENROLLMENT OF BETWEEN 2900 AND 5000 STUDENTS.

**GRENADA SCHOOL DISTRICT
AD VALOREM TAX MILLAGE / ASSESSED VALUATION / ENROLLMENT COMPARISON
OF
SELECT SCHOOL DISTRICTS**

TABLE 3

<u>GROUP RANK</u>	<u>SCHOOL DISTRICT</u>	<u>FY 2003 OPERATING MILLAGE RATE</u>	<u>FY 2003 DEBT SERVICE MILLAGE RATE</u>	<u>FY 2003 TOTAL MILLAGE RATE</u>	<u>ENROLLMENT</u>	<u>FY 2003 ASSESSED VALUATION</u>
1	OCEAN SPRINGS	55.03	7.19	62.22	4934	181,364,520
2	CLINTON	45.51	6.31	51.82	4831	201,899,891
3	NATCHEZ-ADAMS	45.21	2.25	47.46	4820	207,444,141
4	HATTISBURG	58.30	7.08	65.38	4758	208,893,762
5	GRENADA	34.14	4.96	39.10	4651	162,396,198
6	SOUTH PANOLA	40.92	1.22	42.14	4505	127,428,515
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20	OXFORD	36.85	7.20	44.05	2986	193,116,152

SORTED BY TOTAL ENROLLMENT

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SCHOOL DISTRICTS WERE SELECTED BASED UPON HAVING AN ASSESSED VALUATION OF BETWEEN \$100,000,000 AND \$215,000,000 AND AN ENROLLMENT OF BETWEEN 2900 AND 5000 STUDENTS.

**GRENADA SCHOOL DISTRICT
AD VALOREM TAX MILLAGE / ASSESSED VALUATION / ENROLLMENT COMPARISON
OF
SELECT SCHOOL DISTRICTS**

TABLE 4

<u>GROUP RANK</u>	<u>SCHOOL DISTRICT</u>	<u>FY 2003 OPERATING MILLAGE RATE</u>	<u>FY 2003 DEBT SERVICE MILLAGE RATE</u>	<u>FY 2003 TOTAL MILLAGE RATE</u>	<u>ENROLLMENT</u>	<u>FY 2003 ASSESSED VALUATION</u>
1	HANCOCK COUNTY	35.07	12.57	47.64	4282	212,542,698
2	HATTISBURG	58.30	7.08	65.38	4758	208,893,762
3	NATCHEZ-ADAMS	45.21	2.25	47.46	4820	207,444,141
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18	WEST POINT	41.00	6.40	47.40	3563	110,262,495
19	LONG BEACH	51.74	3.85	55.59	3471	106,568,100
20	PETAL	53.42	3.66	57.08	3636	101,918,282

SORTED BY ASSESSED VALUATION

ENROLLMENT REFLECTS DATA FROM THE 2003 SUPERINTENDENT'S ANNUAL REPORT, WHICH IS FOR SCHOOL YEAR 2001 - 2002. THIS REFLECTS THE MOST CURRENT DATA AVAILABLE FOR ALL SCHOOL DISTRICTS.

SCHOOL DISTRICTS WERE SELECTED BASED UPON HAVING AN ASSESSED VALUATION OF BETWEEN \$100,000,000 AND \$215,000,000 AND AN ENROLLMENT OF BETWEEN 2900 AND 5000 STUDENTS.

The Grenada School District plans to continue its sound management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Grenada School District, P O Box 1940, 1855 Jackson Avenue, Grenada, Mississippi, 38901.